

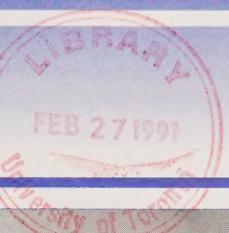
PENSION NEWS

Ontario Teachers' Pension Plan Board

Conseil du régime de retraite des enseignantes et des enseignants



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Issue 3
Winter 1991

Equal Representation on Committees

Three committees have been formed to review and advise the pension board on investment matters, appeals from plan members and audit and actuarial matters. An equal number of teacher and government representatives sit on each committee.

Investment Committee

The investment committee works closely with the chief executive officer and director of investments to determine the long-term asset mix policy, review the overall performance of the fund, and select and evaluate external fund managers.

Chaired by Ted Medland, former chief executive officer of Wood Gundy, the committee consists of all eight board members, as well as Martin Hicks and Gary Porter, investment consultants appointed on the recommendation of the OTF.

Audit and Actuarial Committee

This committee deals with audit and actuarial matters affecting the pension board or the pension plan. Their first major task is to oversee the initial valuation of the pension fund, which is being carried out by William M. Mercer Ltd., the pension board's actuary. There are four members on the committee: John Clarry, Gail Cook-Bennett, Doug McAndless (pensioner and chairperson) and Lynne Sullivan.

Benefits Adjudication Committee

The benefits adjudication committee, chaired by Duncan Green, continues the process of appeals by members against decisions made by pension board staff. The committee is a quasi-judicial body, hearing appeals in both English and French on matters such as refunds, purchasing additional credited service and survivor benefits. Eleven of the committee members were selected from outside the pension board, six of them nominated by OTF and STO. Seven are former commissioners.



Board members (*l - r*): *seated*, John Clarry, Margaret Wilson, Gerald Bouey, Claude Lamoureux (chief executive officer), Lynne Sullivan, *standing*, Ted Medland, Duncan Green, Doug McAndless. Absent is Gail Cook-Bennett.

STO Represented on Appeals

Gerald Armstrong, OSSTF, former commissioner

Jim Causley, former executive director of STO and former director of the Commission

Duncan Green, retired, former director of the Toronto Board of Education

Susan Hildreth, FWTAO, former commissioner

David Kennedy, retired, former commissioner

Sherry Malloy, associate director of OMERS

Ethel McLellan, retired, former commissioner

David Paton, retired, former comptroller of finance for the Toronto Board of Education

Ron Poste, OPSTF, former commissioner and chairperson

Raymond Prevost, director of the Caisse Populaire St-Jean de Brébeuf (Sudbury)

Roger Regimbal, AEFO, former commissioner

George Saranchuk, OECTA, former commissioner

4.8%

Flash !!!

Your 1991 pension escalation rate is 4.8 per cent.
See back page for details.

Bouey Outlines Investment Strategy

At the OTF annual meeting, Gerald Bouey outlined the pension board's plans for investing beyond the money market. Bouey, chairperson of the pension board, also announced that the pension board has developed a policy for excluding companies with investments in South Africa.

Diversification Strategy

"Since all of the assets of the pension fund are now invested in fixed-income securities, the pension board will want to have the capacity to diversify into the equity markets as well as real estate. Also, we will want to be able to invest outside Canada," he said.

"The quickest way of entering the equity market on any scale is to invest in index funds. They involve the lowest fees of any equity investment instrument and are easily integrated into future investment strategies.

"For other equity investments, there is the possibility of engaging investment management firms and/or doing the job in-house. Given the potential total size of the fees that would have to be paid to external fund managers and the fact that we can develop an excellent capability of our own, most of this activity will eventually be done in-house."

Balanced Mix is Long-Term Goal

It will take some years to achieve a diversified portfolio of investments, even if new funds were invested solely in equities, as the majority of the fund's assets are held in government debentures with maturity dates ranging from 1991 to 2012.

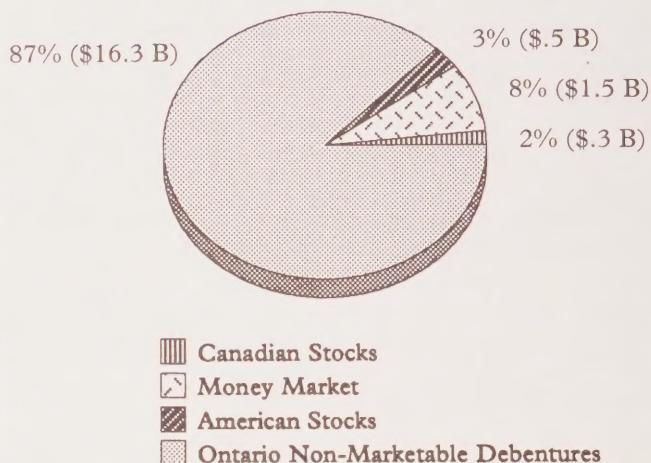
As Bouey pointed out, "In the meantime, it will be difficult to compare the overall performance of our fund with that of pension funds that already have a more balanced asset mix."

The pension board does, however, intend to compare the performance of its new investments with those of other pension funds. It will also develop a system for assessing the performance of internal and external fund managers.

Stock Markets Look to Long Term

Bouey stressed that stock markets, unlike debentures, are volatile, and he warned members to recognize that "performance measured over the short

Summary of Investments at 30 November 1990 (Market Value = \$18.6 B)



term may, from time to time, appear quite disappointing. It is essential, however, to keep one's eye on the long run, and the time horizon for a fund like ours is very long indeed."

Gearing Up For Action: Investment Specialists Appointed

The pension board's new investment department is headed by Robert Bertram, former assistant vice-president and treasurer of Alberta Government Telephones (AGT). Bertram was chosen for his investment management experience acquired during his 18 years at AGT.

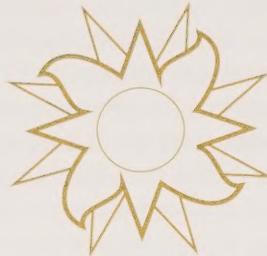
After he began in late October, Bertram quickly moved to fill some key positions. One of his first moves was to hire Patricia Murphy as portfolio manager, fixed income securities. Murphy, with a 10-year background in the investment management field, holds a CFA from the Financial Analysts Federation. Her position prior to joining the pension board was vice-president of financial futures and options at CIBC/Wood Gundy.

Canada Trust was chosen as the fund's custodian. As well as providing safekeeping services for fund assets, Canada Trust will act as our agent in settlement of securities, receiving and tracking dividends, interest and maturities, and generally recording and reporting on investments.

Tax Tips And More

Heading South This Winter?

If you plan to live outside of Canada this winter or plan to travel for an extended period, remember to consider the following.



If you tell us you have an address outside Canada or have your pension sent outside of Canada, we must administer a non-resident tax on your future pension payments. As a requirement of the *Income Tax Act*, all pension administrators must deduct the tax on all pension payments to foreign addresses.

You may wish to retain Canadian residency status if you are only planning a temporary absence. This can be done by sending us a confirmation of residency in Canada which you may obtain through a Revenue Canada taxation office.

If we are currently withholding non-resident taxes from your pension payments, we must receive confirmation of residency from a taxation office before we are permitted to adjust our records.

Helpful Hints for Your 1990 T4A

- ❖ When confirming the figures on your T4A, please refer to your most recent pension statement. Your 1990 total gross income can usually be calculated by multiplying your monthly gross income by 12.
- ❖ If you are a new pensioner or have received a recalculated pension, the retroactive payment received in 1990 will be included in your total gross income.
- ❖ You may claim medical expenses if your total expenses are more than three per cent of your net income. Medical premium deductions do not appear on the T4As. To determine your approximate medical deductions for the year, simply multiply your monthly deductions by 12. If you have any questions, please call Johnson Insurance at (416) 756-8204 or toll free in Ontario at 1-800-461-4155.

Your Pension and RRSPs

As mentioned in the Spring issue of *Pension News*, 1990 was the first year you were unable to transfer your pension into an RRSP. In addition, your pension receipts no longer qualify as earned income for RRSP purposes.

Once you receive your pension, you can deposit a limited amount into your spouse's RRSP account. This is allowed for the years 1989 to 1994 inclusive and the amount is limited to \$6,000 annually. Please consult your financial institution for more information as we do not directly transfer your pension into your spouse's RRSP.

You Asked Us

- Q. I am 62 years old and recently returned to teaching for one day. Does this one day count towards the three years I can teach for 95 days?

J.C., Oakville

- A. If you are under 71 and return to any type of teaching (i.e. supply, contract, etc.), any amount of time, even half a day, counts as teaching in that school year. Your return for one day would be counted as one year towards the three years you are allowed to teach for 95 days without affecting your pension or contributing to the plan.

If you're 71 or over, these rules do not apply. You can go back to any type of teaching for as long as you'd like without affecting your pension or contributing to the plan.

If you have a question you'd like answered, please send it to the Communications Department at the address on the back of this newsletter.



The Future Of Your Pension Fund

The Teachers' Pension Fund was created at the end of 1989 when the Teachers' Superannuation Fund and the Superannuation Adjustment Fund were combined. An actuarial valuation of this new pension fund as of 31 December 1989 is currently underway. *This valuation will not affect pensions already in pay.* However, the assessment is very important for two reasons:

- ❖ It will determine the unfunded liability of the pension fund which the Ontario government will pay over the next 40 years to fully pay for all benefits earned up to 31 December 1989.
- ❖ It will set the contribution rate for the future and certify that this rate is adequate to fund future benefits.

In January 1990, the *Teachers' Pension Act, 1989* set the contribution rate at 8.9 per cent and the unfunded liability, payable by the Ontario government, at \$4 billion. However, depending on the results of the valuation performed by the actuary, William M. Mercer Ltd., these both could change.

One of the key factors in the process is determining the cost of a fully indexed pension. It's difficult to compare the cost to other plans as very few are fully indexed to inflation.

Some of the assumptions the actuary and the pension board must establish are future rates for inflation, salary increases and return on investments. The accuracy of these assumptions is extremely important - if they're off by as much as one per cent, for example, on the future inflation rate, the costs of the pension plan could be off by 12 per cent.

The chart below shows inflation and the average rates of return over the past 60 years. Incomplete lines indicate there was no data available for those years.

There are several other factors, such as demographic assumptions, to consider as well:

- ❖ Will teachers continue to retire early at the 90 factor, without teaching 35 years for a full pension?
- ❖ Will people continue to live longer in the future?
- ❖ Will wage increases continue to be higher than inflation?

In the next issue of *Pension News*, we will provide you with a summary of results of this very important valuation of the pension fund.

History – Inflation and Rates of Return on Investments

Period	Wage Inflation	Canadian Stock	Long-Term Canada Bonds	Treasury Bills	Teachers' Pension Fund
80s	6.6%	14.2%	11.0%	12.1%	10.1%
70s	9.4%	6.3%	5.9%	6.8%	6.6%
60s	4.6%	10.6%	2.5%	4.3%	4.6%
50s	5.7%	17.6%	1.3%	1.6%	4.6%
40s	5.8%	6.8%	3.1%	N/A	4.7%
30s	0.1%	(0.3%)	6.1%	N/A	4.7%
1929-88	5.3%	9.0%	4.9%	N/A	5.9%

Over 71? Refund Reminder

If you taught in the 1989/90 school year, you may be eligible for a refund of all contributions to the pension plan.

In the fall, an Employment Statement form was sent to all pensioners under 71. If you taught any number of days in 1989/90, please complete this form and return it to us. In the future, we will send this form at the end of each school year.

If you're 71 or over and return to teaching, you do not have to contribute to the pension plan. If you did, you are eligible for a full refund.

Please call our refund hotline at extension 4362 if you have any questions.

(416)	1-800-668-0105
(519) (613) (705)	1-800-268-6612
(807)	1-800-668-0295
Toronto	226-2700



Power Of Attorney

Naming someone to act on your behalf is something you should look into if you haven't already. You can appoint someone to manage your affairs by signing a power of attorney. This is a useful way for all pensioners to manage their affairs in the future.

If you lose your capacity to manage your affairs, it is important to have someone you know and trust helping with or making decisions on your behalf. However, you must appoint someone to do this when you are capable. If you do not, it may be necessary for your family to apply to the courts for authority to act for you. In some circumstances, the Public Trustee may assume management of your affairs.

There is a power of attorney form provided in the *Powers of Attorney Act*. However, it is wise to consult a lawyer about power of attorney.

Send us a copy of your completed power and we will keep it on file for easy reference. Please inform us of any changes.

For further information and guidance, please contact your lawyer.

Fine-Tuning For Pension Act

After the first few months of working with the new *Teachers' Pension Act, 1989*, the government, in consultation with the OTF and the pension board, prepared 21 amendments to the act. All amendments were passed by cabinet in June. Two of the amendments which may affect you and your pension appear below.

Date Corrected

The date government payments are made to the pension board was changed from 1 January to the next business day. In 1991, it is 2 January.

Without the change, the pension board would lose interest every year between the due date - a holiday - and the first available business day.

Survivor Pensions

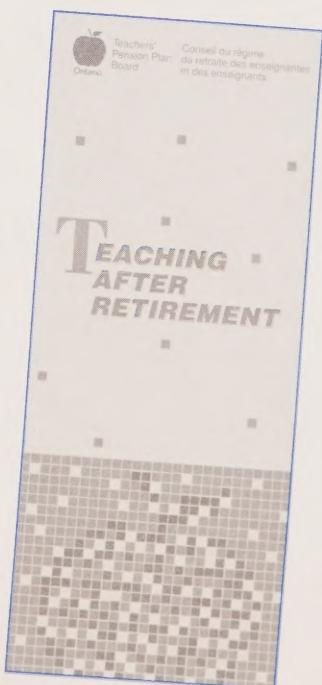
A survivor pension can be paid to your spouse if you are on a disability pension and were married after the onset of the disability.

We will pay interest on any survivor benefits not paid to your survivor on time.

Teaching After Retirement

What happens to my pension? How long can I teach? Do I have to contribute to the plan if I return to teaching?

These are just a few of the questions you may have if you have returned or are planning to return to teaching. For the answers to these questions and more, call us and ask for a copy of our new brochure entitled *Teaching After Retirement*.



Banking And Your Pension

Direct Deposit Pays Off!

Two bags of mail from the pension board containing pension cheques were recently misplaced by Canada Post. Fortunately, most of you (over 39,000) were not affected because your pension cheque is deposited directly into your bank account.

However, we regret the inconvenience to the 488 who didn't receive a cheque in the mail. We have issued replacement cheques and are working with Canada Post to avoid this problem in the future.

Approximately one per cent of pensioners still receive pension cheques by mail. We strongly encourage you to arrange for direct deposit to your bank account. To make this arrangement, simply complete the form below and return it to us as soon as possible. By using direct deposit, you can be confident your pension will arrive safely.

Banking Tip

If you change bank accounts, be sure to keep the old account open until your pension payment appears in the new account.

It can take six to eight weeks to update your records and make this banking change. If you close the account before the switch is made, your bank will reject your pension payment and a one-month delay in payment will occur.

Escalation Rate Determined **4.8%**

As mentioned on page 1, the 1991 pension escalation rate has been set at 4.8 per cent.

To calculate your pension increase for 1991, multiply your 1990 gross pension by 4.8 per cent.

We will be sending your revised pension statement in early 1991.

Pension News is a publication prepared by the Communications Department of the Ontario Teachers' Pension Plan Board. If you wish to receive this publication in French or have any comments, please leave a message on the Phone-A-Memo system or write to:

Communications Department
Teachers' Pension Plan Board
5650 Yonge Street, Suite 400
North York, Ontario
M2M 4H5

The information contained in this newsletter is provided for your convenience. For further reference, please consult the *Teachers' Pension Act, 1989*.

CHANGING YOUR MAILING ADDRESS OR BANK ?

Use the accompanying form if you are moving or changing your bank or trust company. Please give us six-weeks' notice before you make any changes and, where possible, keep your old bank account open until we make the first deposit into your new account. Be sure to include a voided cheque from your new account.

Name

SIN



Mailing Address (if new)

Bank or Trust Company Name

Address

Bank or Trust Company No.

Transit No.

Account No.

Signature

Effective Date of Change



Please attach a voided cheque

